



F R I E D M A N B I L L I N G S R A M S E Y®

CAPITAL FOR YOUR CONQUEST

**FRIEDMAN, BILLINGS, RAMSEY GROUP, INC.**

2004  
November



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## CAUTIONS ABOUT FORWARD-LOOKING INFORMATION

This presentation and the information incorporated by reference in this presentation include forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Some of the forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "plans," "estimates" or "anticipates" or the negative of those words or other comparable terminology. Statements concerning projections, future performance developments, events, revenues, expenses, earnings, run rates, and any other guidance on present or future periods constitute forward-looking statements. Such statements include, but are not limited to, those relating to the effects of growth, revenues and earnings, our principal investing activities, levels of assets under management and our current equity capital levels. Forward-looking statements involve risks and uncertainties. You should be aware that a number of important factors could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, the overall environment for interest rates, repayment speeds within the mortgage backed securities market, risk associated with equity investments, the demand for public offerings, activity in the secondary securities markets, competition among financial services firms for business and personnel, the high degree of risk associated with venture capital investments, the effect of demand for public offerings, mutual fund and 401(k) pension plan inflows or outflows in the securities markets, volatility of the securities markets, available technologies, the effect of government regulation and of general economic conditions on our own business and on the business in the industry areas on which we focus, fluctuating quarterly operating results, the availability of capital to us and risks related to online commerce. We will not necessarily update the information presented or incorporated by reference in this presentation if any of these forward looking statements turn out to be inaccurate. Risks affecting our business are described throughout our Form 10-K, especially in the section entitled "Risk Factors." The entire Form 10-K, including the Consolidated Financial Statements and the notes and any other documents incorporated by reference into the Form 10-K, as well as, the Forms 10-Q and 8-K filed subsequent to the forms 10-K, should be read for a complete understanding of our business and the risks associated with that business.

On March 31, 2003, Friedman, Billings, Ramsey Group, Inc. merged with FBR Asset Investment Corporation, a real estate investment trust ("REIT") managed by FBR prior to the merger. The merged company, Friedman, Billings, Ramsey Group, Inc. is structured as a REIT for U.S. Federal Income Tax purposes and conducts its brokerage, sales and trading, investment banking, asset management and banking business through taxable REIT subsidiaries.

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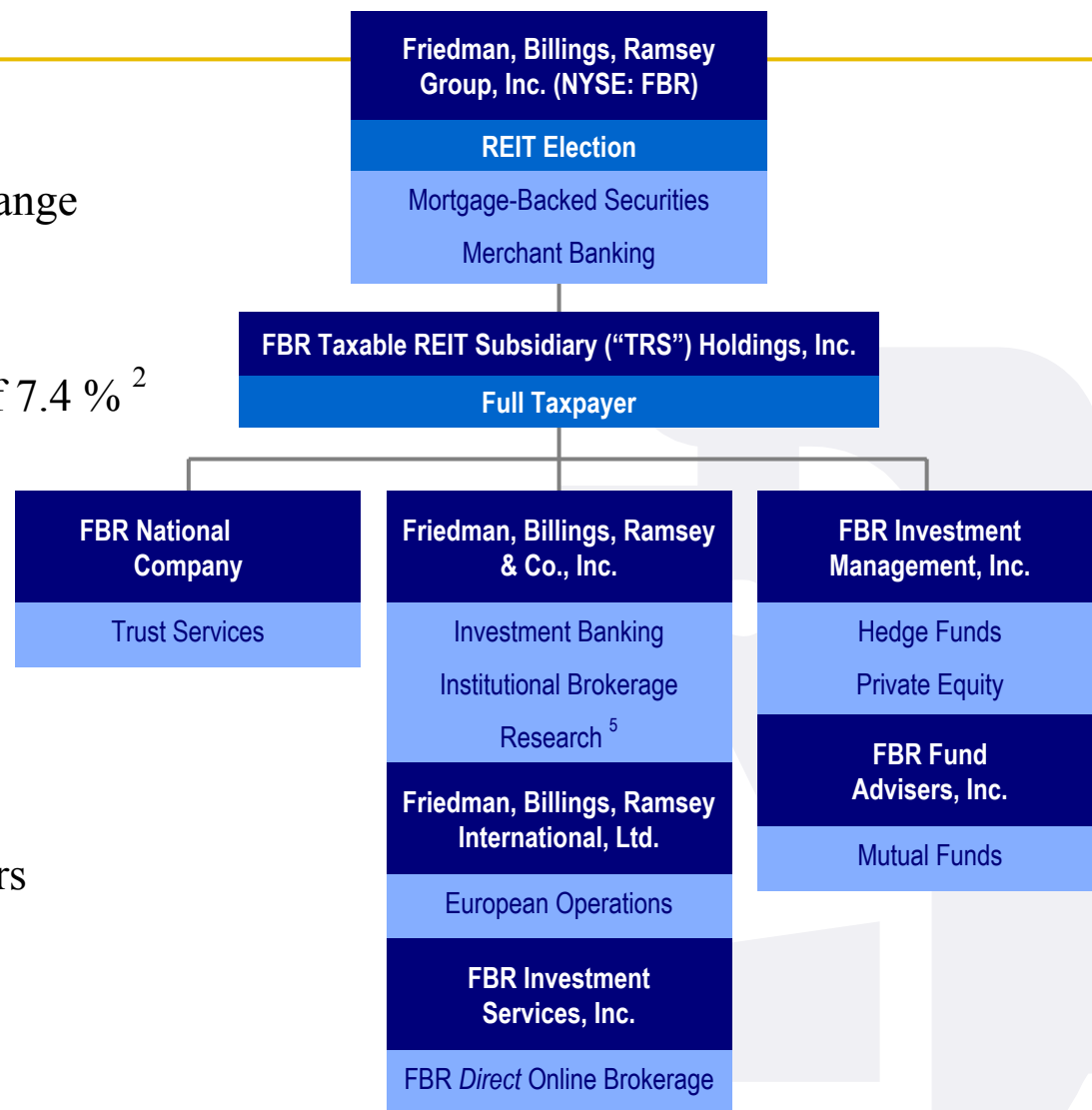
For additional important information, please visit our website, [www.fbr.com](http://www.fbr.com).

1. Research is provided by FBR & Co.'s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, FBR & Co. seeks to perform investment banking and other fee generating services for companies that are the subject of FBR & Co. research reports. Research analysts are eligible to receive bonus compensation that is based on FBR & Co.'s overall operating revenues, including revenues generated by FBR & Co.'s investment banking department. Specific information is contained in each research report concerning FBR & Co.'s relationship with the company that is the subject of the report.



# Introduction

- FBR is a top ten investment bank <sup>1</sup>
- Listed on the New York Stock Exchange (NYSE: FBR)
- Market cap of \$3.1 billion <sup>2</sup>
- Annualized dividend: \$1.36; yield of 7.4 % <sup>2</sup>
- Special dividend: \$0.12 (June 2004)
- Book value per share of \$9.26 <sup>3</sup>
- Equity of \$1.5 billion; total assets of \$12.3 billion <sup>3</sup>
- Over 665 full-time employees in 16 offices <sup>3</sup>
- Focused on 8 specific industry sectors



1. See page 10.

2. 11/23/04 closing price of \$18.41.

3. As of 9/30/04.

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# Business Overview

Taxable Subsidiaries (TRSS) (3 Profit Centers and Research)			REIT Principal Activities (2 Profit Centers)	
Investment Banking <sup>1</sup>	Institutional Brokerage <sup>1</sup>	Asset Management	Mortgage-Backed Securities	Merchant Banking
<p>Over 155 Investment Banking personnel</p> <p>8 focused industry sectors</p> <ul style="list-style-type: none"> <li>Consumer</li> <li>Diversified Industrials</li> <li>Energy</li> <li>Financial Institutions</li> <li>Healthcare</li> <li>Insurance</li> <li>Real Estate</li> <li>Technology, Media &amp; Telecommunications</li> </ul> <p>Top 10 lead underwriter through 9/30/04: <sup>3</sup></p> <ul style="list-style-type: none"> <li>79 transactions with \$12.4B in total transaction value</li> <li>42 lead and sole managed public / private transactions</li> <li>12 M&amp;A and Advisory assignments</li> <li>\$6.9 B of Asset-Backed Securitizations (ABS)</li> </ul>	<p><b>Sales &amp; Trading</b></p> <p>187 Institutional Brokers, Traders and Sales Traders</p> <p>Market-maker in over 550 equity and debt securities</p> <p>Cover over 1,000 institutional investors</p> <p><b>Research <sup>2</sup></b></p> <p>47 Senior Analysts</p> <p>Department total 129</p> <p>Over 535 companies under coverage</p> <ul style="list-style-type: none"> <li>Consumer</li> <li>Diversified Industrials</li> <li>Energy</li> <li>Financial Institutions</li> <li>Healthcare</li> <li>Insurance</li> <li>Real Estate</li> <li>Technology, Media &amp; Telecom</li> </ul> <p>Fixed-Income and ABS Research Coverage</p>	<p>Hedge funds</p> <p>Equity mutual funds</p> <p>Fixed income mutual funds</p> <p>Tax-exempt funds</p> <p>Money market funds</p> <p>Private equity</p> <p>Venture capital</p> <p>Private client group</p> <ul style="list-style-type: none"> <li>Restricted 144 stock sales</li> <li>Financial planning/ trust &amp; estate services</li> <li>Hedging &amp; monetization</li> <li>Employee stock option management</li> <li>Cash management</li> </ul>	<p>Assets of \$10.9 billion, as of September 30, 2004</p> <ul style="list-style-type: none"> <li>Mortgage-backed securities guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae (GSEs)</li> <li>Portfolio composition 1/1 Arms and 3/1 and 5/1 Hybrid ARMs</li> <li>Dedicated \$12 billion funding source</li> </ul>	<p>\$342 million long-term investment portfolio as of September 30, 2004</p> <p>16 Merchant Banking investments funded with FBR Group equity</p> <ul style="list-style-type: none"> <li>Preferred and common equity</li> <li>Senior secured and mezzanine loans</li> <li>Interest in proprietary funds</li> <li>Direct assets</li> </ul>

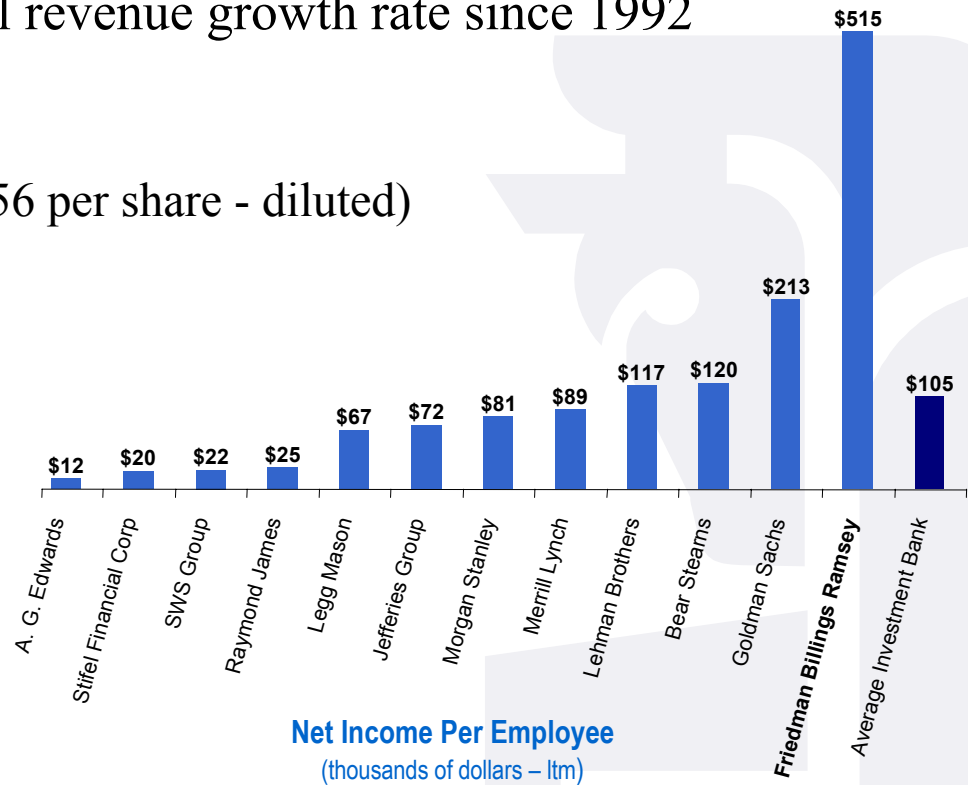
1. Headcount numbers and companies covered approximate as of September 30, 2004.

2. Research is provided by FBR & Co.'s Research department, which is independent from the Investment Banking department of FBR & Co., and has the sole authority to determine which companies receive research coverage and the recommendation contained in the coverage. In the normal course of its business, FBR & Co. seeks to perform investment banking and other fee generating services for companies that are the subject of FBR & Co. research reports. Research analysts are eligible to receive bonus compensation that is based on FBR & Co.'s overall operating revenues, including revenues generated by FBR & Co.'s investment banking department. Specific information is contained in each research report concerning FBR & Co.'s relationship with the company that is the subject of the report.

3. Source Dealogic; see page 10.

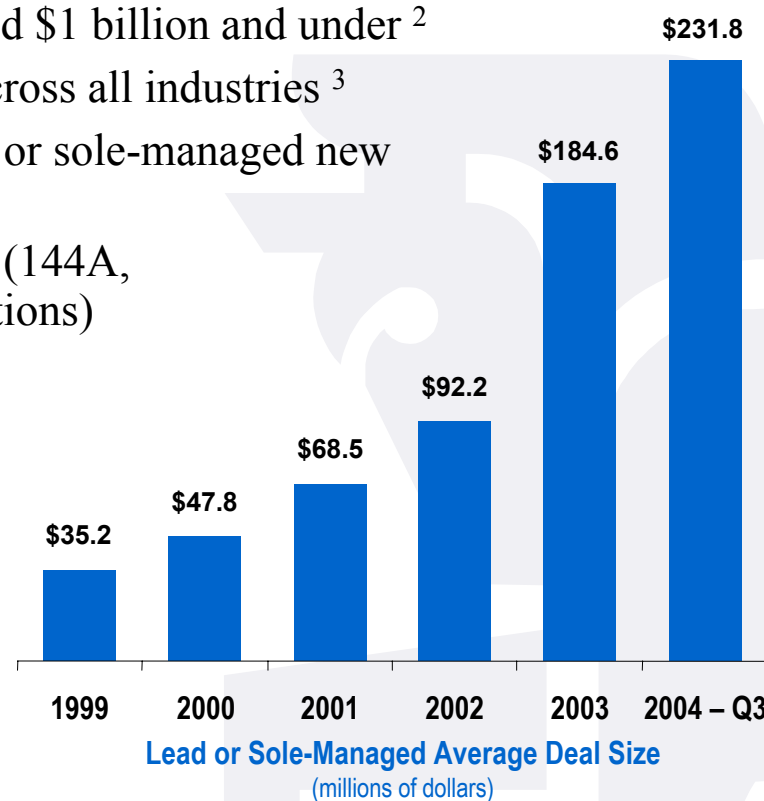
# Highlights

- Unique capital markets investment and distribution franchise
- Founded in 1989, the only independent publicly owned underwriter formed since 1972
- Greater than 35% compound annual revenue growth rate since 1992
- Record first nine months of 2004
  - Record total revenue: \$754 million
  - Record earnings: \$263 million (\$1.56 per share - diluted)
  - Net income profit margin of 40.9%
  - Annualized ROE of 22.6%
- Most efficient platform in broker/dealer industry as measured by net income and revenue per employee
- Significant new business opportunities in investment banking, fixed income capital markets and asset management

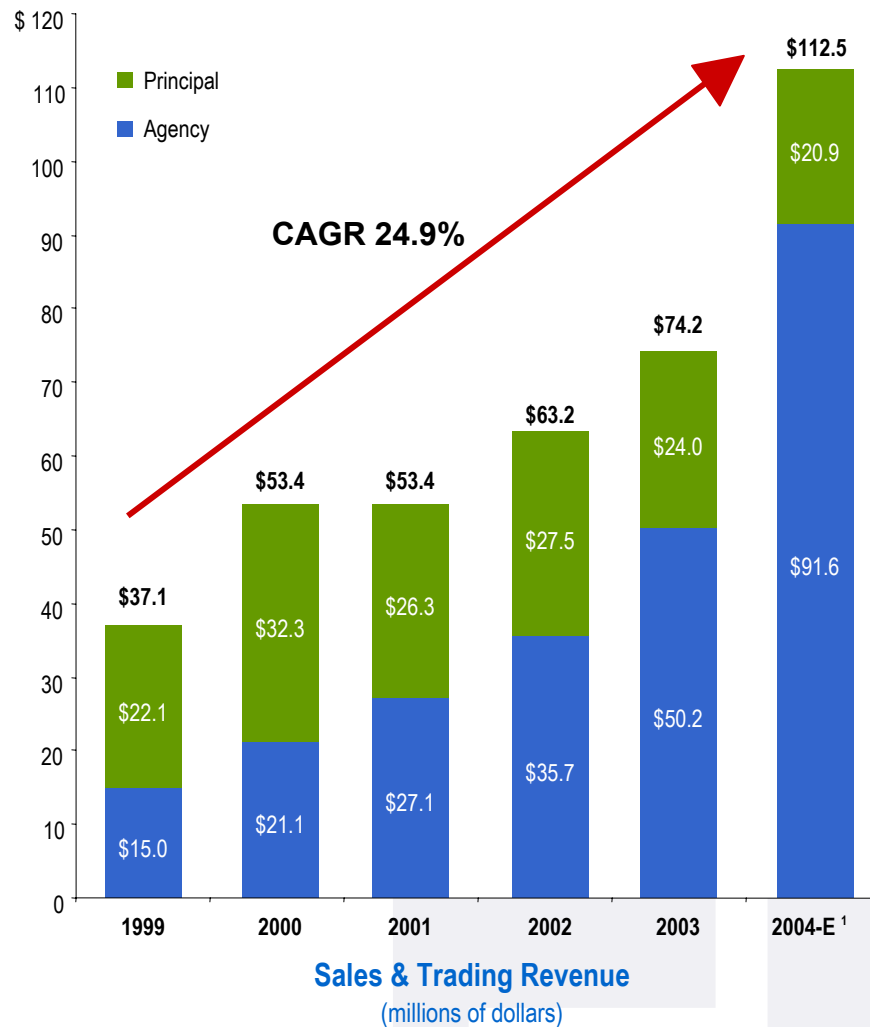
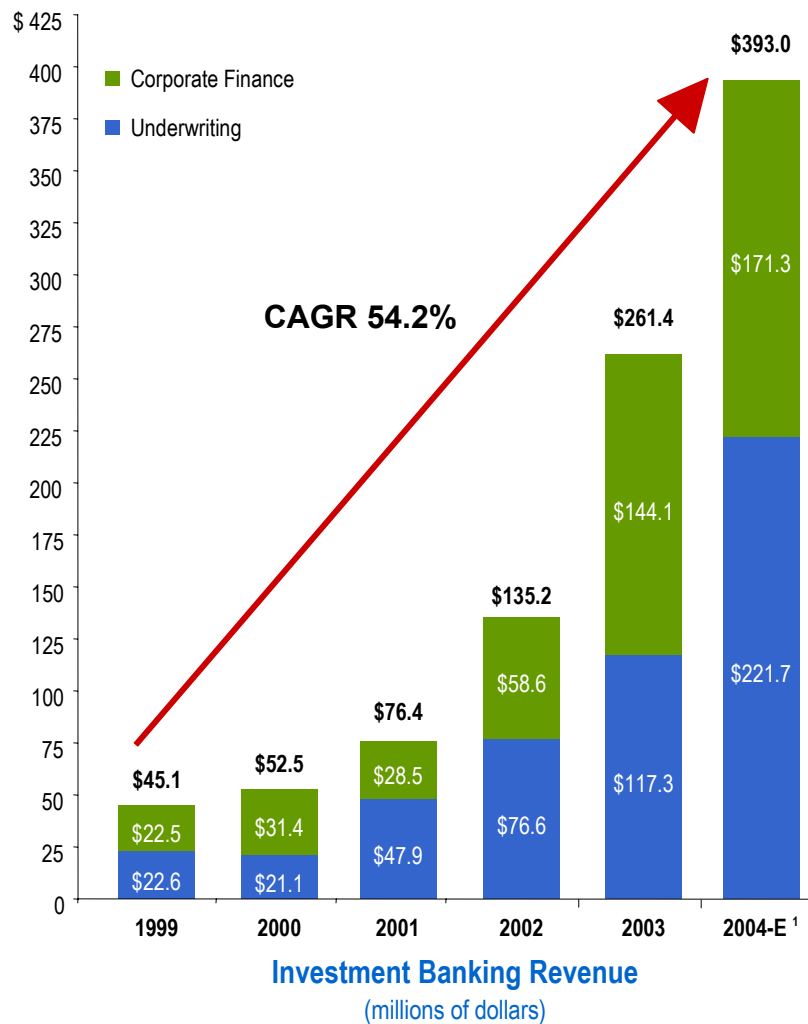


# Investment and Distribution Franchise

- Fundamental valuation approach
- Premier investment banking/institutional brokerage platform
  - #1 lead managing underwriter in aftermarket performance <sup>1</sup>
  - #1 lead managing underwriter of companies valued \$1 billion and under <sup>2</sup>
  - #3 lead managing underwriter in 2003 for IPOs across all industries <sup>3</sup>
  - Top ten equity underwriter — \$7.2 billion of lead or sole-managed new capital raised this year <sup>2</sup>
  - Market leader in innovative transaction structures (144A, private block secondaries, public corporate formations)
- Superior proprietary investment returns also drives growth in fees
  - 28% IRR since inception
  - Investment banking fees associated with portfolio companies have totaled over \$344 million since January 1, 2001
- Top tier asset management products



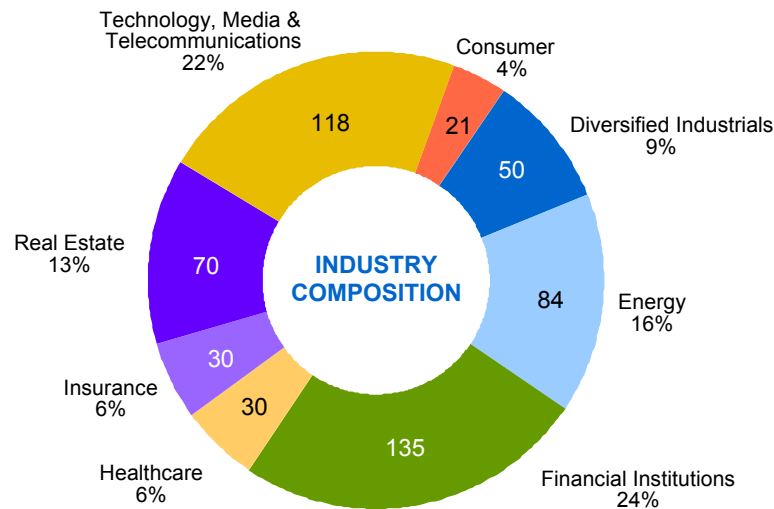
# Capital Markets Revenue Growth



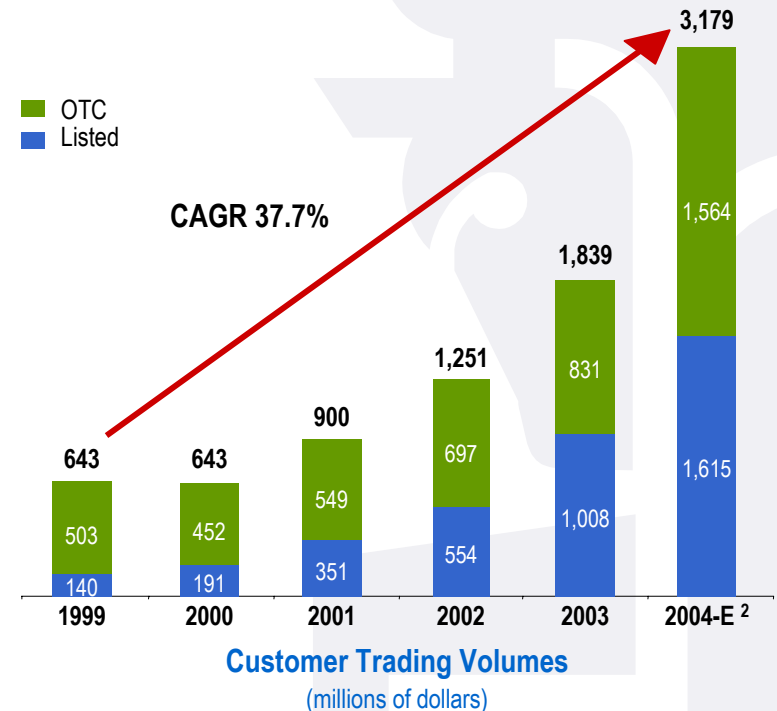
# Capital Markets

## Research and Institutional Brokerage

- 187 institutional brokers, traders & sales traders; 47 senior analysts
- Understanding of investment philosophy leads to powerful distribution platform
- 38% CAGR volume growth from 1999 through 9/30/2004
- Currently provide research on 43% of S&P 500 by market capitalization
- Over 535 companies and 155 fixed-income securities under research coverage<sup>1</sup>
- Make markets in more than 550 securities



**Research Coverage: All Companies**  
(number of companies as of October 15, 2004)

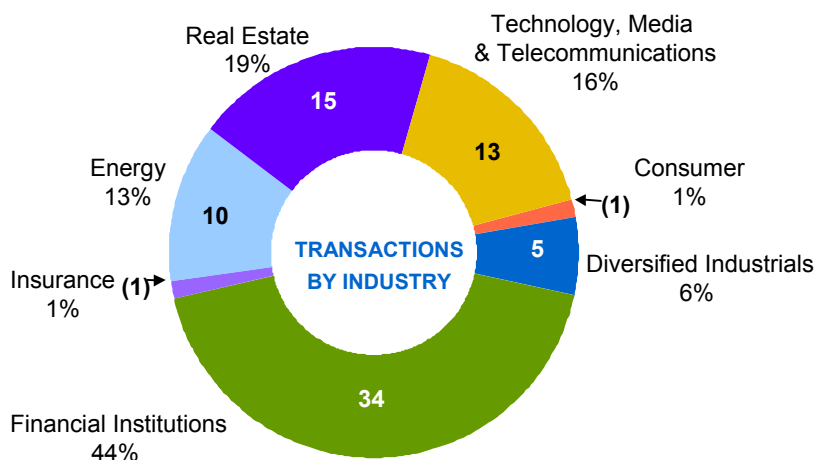






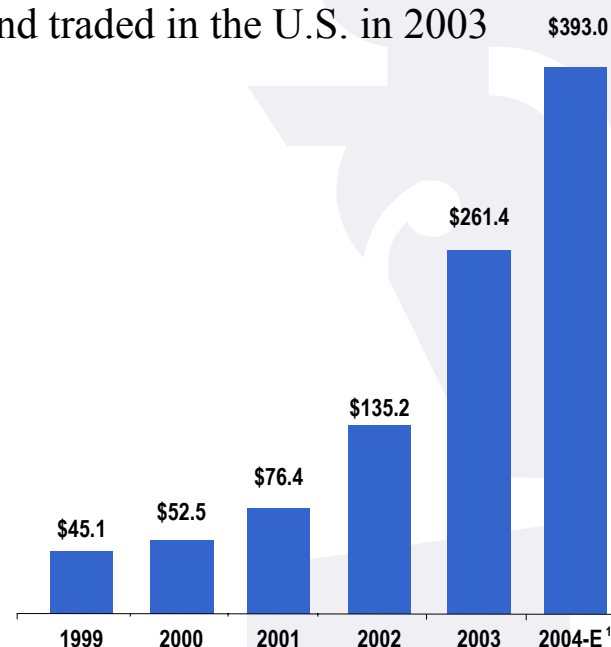
# Capital Markets Investment Banking

- Unique origination & distribution franchise
- FBR evaluates all underwritings and provides financial advice based on a disciplined investment approach
- We concentrate on specific industries where FBR has developed in-depth expertise and relationships
- These industries comprised 80% of the equity raised and traded in the U.S. in 2003
- We continue to see new business opportunities



## Investment Banking Transactions Completed

(January 1 through September 30, 2004 % to total)



(millions of dollars; excludes investment gains)

1. Annualized estimate as of 9/30/04.

2. Adjusted for elimination of all revenue from and fees paid to FBR Asset (including trading gains).

# Capital Markets

## Investment Banking

- We identify and structure innovative opportunities for our issuer and investor clients
  - 144A equity placements
  - Private block trades
  - Public/private recapitalizations
  - M&A
  - Other more traditional capital events
- Premier track record
  - Top 10 book running equity underwriter by dollar volume <sup>1</sup>
  - #3 IPO underwriter for 2003 <sup>1</sup>
  - #1 in aftermarket performance of IPOs and secondaries <sup>2</sup>
  - #1 lead managing underwriter of issuers valued \$1 billion and under <sup>3</sup>



# Investment Banking Rankings

## First Nine Months 2004 Underwriting

### Issuer Mkt Cap \$1B & under — All Industries

1/1/2004 – 9/30/2004 All Common Stock  
(IPO, Secondary, Private)

Book-Running Manager	# of Deals	Total Amt Raised
<b>Friedman Billings Ramsey</b>	<b>29</b>	<b>\$ 4,691.2</b>
Goldman, Sachs & Co	25	3,905.4
JP Morgan Securities Inc	35	3,729.9
Morgan Stanley	23	3,395.1
UBS Securities Inc	35	2,570.1
Citigroup Global Markets Inc	15	2,423.5
Lehman Brothers	30	2,298.1
Merrill Lynch & Co	22	2,022.3
Credit Suisse First Boston	24	1,914.3
Deutsche Bank Securities	18	1,173.1
Banc of America Securities	20	980.5
Bear, Stearns & Co	13	957.3
SG Cowen Securities Corp	23	768.3
Ryan, Beck & Co	5	749.6
Wachovia Capital Markets LLC	11	649.7
Raymond James	6	640.3
CIBC World Markets	12	544.4
Piper Jaffray & Co	8	413.8
Needham & Co Inc	9	373.6
Thomas Weisel Partners LLC	8	306.2

### All Market Caps — All Industries

1/1/2004 – 9/30/2004  
IPOs and Secondaries

Book-Running Manager	# of Deals	Total Amt Raised
Morgan Stanley	60	\$ 15,449.8
Goldman, Sachs & Co	52	12,832.0
JP Morgan Securities Inc	55	8,888.3
Citigroup Global Markets Inc	43	7,960.3
Credit Suisse First Boston	46	7,329.0
Merrill Lynch & Co	49	6,796.1
Lehman Brothers	44	5,004.5
UBS Securities Inc	46	4,968.3
<b>Friedman Billings Ramsey</b>	<b>26</b>	<b>3,220.9</b>
Banc of America Securities	29	2,636.9
Bear, Stearns & Co	18	2,386.8
Deutsche Bank Securities	26	2,345.8
Wachovia Capital Markets LLC	18	1,635.4
Ryan, Beck & Co	3	732.5
SG Cowen Securities Corp	21	723.1
Raymond James	6	713.2
CIBC World Markets	12	689.8
AG Edwards & Sons Inc	13	565.3
RBC Capital Markets	9	528.1
Piper Jaffray & Co	7	392.2

### All Market Caps — All Industries

1/1/2004 – 9/30/2004  
IPOs Only

Book-Running Manager	# of Deals	Total Amt Raised
Morgan Stanley	16	\$ 6,223.3
Goldman, Sachs & Co	17	3,968.5
Credit Suisse First Boston	14	2,910.8
JP Morgan Securities Inc	17	2,881.2
Merrill Lynch & Co	17	2,482.8
<b>Friedman Billings Ramsey</b>	<b>12</b>	<b>1,908.7</b>
Citigroup Global Markets Inc	7	1,658.1
UBS Securities Inc	10	1,334.5
Lehman Brothers	12	1,288.1
Ryan, Beck & Co	2	725.3
Raymond James	1	465.8
Banc of America Securities	9	402.8
Deutsche Bank Securities	6	399.9
Bear, Stearns & Co Inc	3	319.1
Wachovia Capital Markets LLC	3	317.7
Piper Jaffray & Co	4	258.6
SG Cowen Securities Corp	6	227.5
Ferris Baker Watts Inc	3	206.3
Thomas Weisel Partners LLC	4	142.1
William Blair & Co	3	130.3

Source: Dealogic



# Investment Banking Rankings

## Aftermarket Performance <sup>1</sup>

### 5 Years 10/1/1999 – 9/30/2004 Non-Weighted Aftermarket Performance <sup>2</sup>

Book-Running Manager	# of Deals	% Change from Offer
<b>Friedman Billings Ramsey</b>	<b>88</b>	<b>42.4</b>
Bear, Stearns & Co	113	38.5
Merrill Lynch & Co	328	9.9
UBS Securities Inc	187	4.7
Lehman Brothers	217	3.1
Citigroup Global Markets Inc	261	0.4
Morgan Stanley	309	0.2
JP Morgan Securities Inc	214	-1.7
Credit Suisse First Boston	433	-3.4
Goldman, Sachs & Co	325	-3.9
Deutsche Bank Securities	124	-5.6
CIBC World Markets	84	-6.1
Banc of America Securities	218	-18.7

### 3 Years 10/1/2003 – 9/30/2004 Non-Weighted Aftermarket Performance <sup>3</sup>

Book-Running Manager	# of Deals	% Change from Offer
<b>Friedman Billings Ramsey</b>	<b>72</b>	<b>37.7</b>
Bear, Stearns & Co	73	36.8
Credit Suisse First Boston	191	25.4
Morgan Stanley	169	24.7
Goldman, Sachs & Co	160	23.8
Merrill Lynch & Co	182	22.5
Banc of America Securities	93	19.7
Lehman Brothers	123	19.1
JP Morgan Securities Inc	135	18.5
Deutsche Bank Securities	69	17.4
Citigroup Global Markets Inc	172	16.4
SG Cowen Securities Corp	48	12.8
UBS Securities Inc	136	12.1

### First Nine Months 2004 1/1/2004 – 9/30/2004 Non-Weighted Aftermarket Performance <sup>4</sup>

Book-Running Manager	# of Deals	%Change from Offer
<b>Friedman Billings Ramsey</b>	<b>24</b>	<b>11.9</b>
Morgan Stanley	59	9.1
Goldman, Sachs & Co	54	8.2
JP Morgan Securities Inc	54	7.8
Banc of America Securities	30	7.0
Lehman Brothers	44	6.3
Citigroup Global Markets Inc	52	5.3
Merrill Lynch & Co	53	4.9
Wachovia Capital Markets LLC	17	4.0
UBS Securities Inc	43	-0.2
Deutsche Bank Securities	24	-0.7
Credit Suisse First Boston	46	-1.1
Bear, Stearns & Co	19	-2.3
SG Cowen Securities Corp	20	-10.5

Source: Dealogic

<sup>1</sup> IPOs and secondaries only, excludes closed end funds; Market prices through 9/30/04

<sup>2</sup> More than 75 deals

<sup>3</sup> More than 45 deals

<sup>4</sup> More than 15 deals

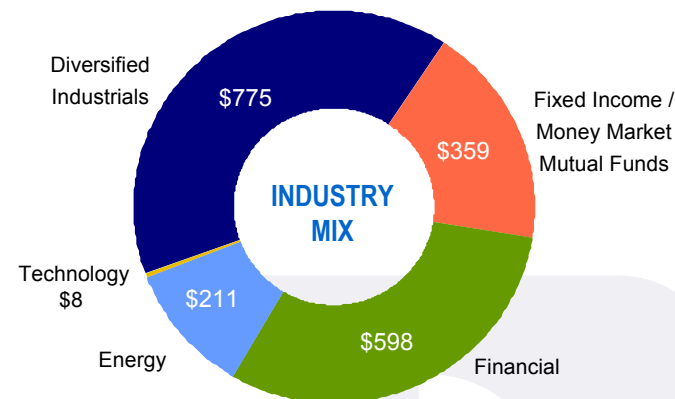
PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS



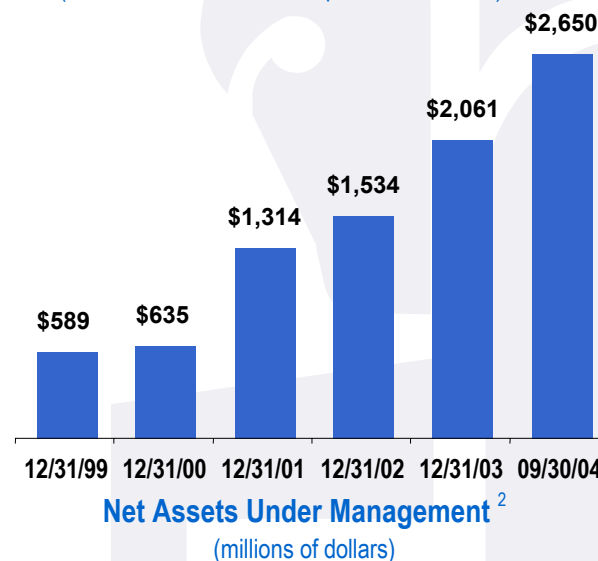
# Asset Management

- Broad spectrum of products — mutual funds/ alternative asset investments
- Alternative asset investment vehicles, including 2 hedge funds with greater than 10 year records
- Private Client Group provides customized wealth management solutions to individuals, families and foundations controlling significant assets
- Multiple mutual fund offerings <sup>1</sup>
  - FBR American Gas Index Fund     ■ FBR Small Cap Fund
  - FBR Small Cap Financial Fund     ■ FBR Small Cap Technology Fund
  - FBR Large Cap Financial Fund     ■ FBR Large Cap Technology Fund

*Investors are asked to consider the investment objectives, risks, and charges and expenses of the FBR Funds carefully before investing. The prospectus contains this and other important information about the FBR Funds. For a copy of a free prospectus, please call 888.200.4710 or visit us at [www.fbr.com/funds/](http://www.fbr.com/funds/). Please read it carefully before you invest or send money. The FBR Funds are distributed by FBR Investment Services, Inc., member NASD/SIPC.*



**FBR Mutual Funds**  
(millions of dollars; as of September 30, 2004)



1. See page 23 for more complete description.

2. Net assets under management represents total gross assets under management, net of any repo debt, margin loans, securities sold but not yet purchased, lines of credit, and any other liabilities. Excludes FBR Asset.



# Principal Investing

## Mortgage-Backed Securities

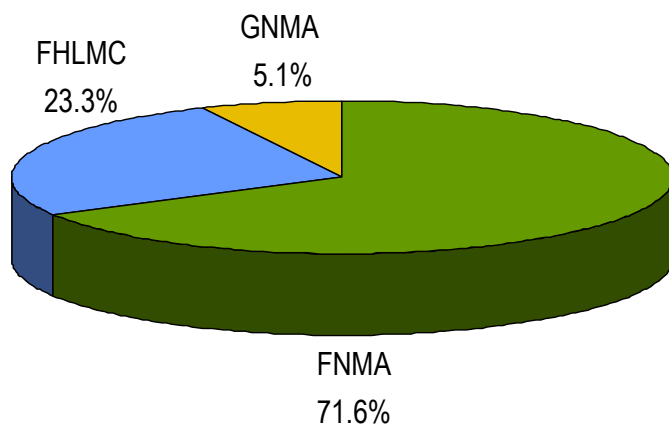
- \$10.9 billion portfolio as of September 30, 2004
- Portfolio securities are all adjustable rate, guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae at September 30, 2004
- Low duration of 1 to 2 — limits price risk
- Leverage guideline — 6x to 11x debt to equity, 9.5x long-term target
- Allocation of FBR equity capital: 50%–90% (long-term average target 60%–65%)
- Georgetown Funding, FBR's proprietary \$12 billion A1+/P1 commercial paper funding source
- Consistent high prepayments allow for continuous reinvestment
- Long-term average target ROE of > 20%

# Principal Investing

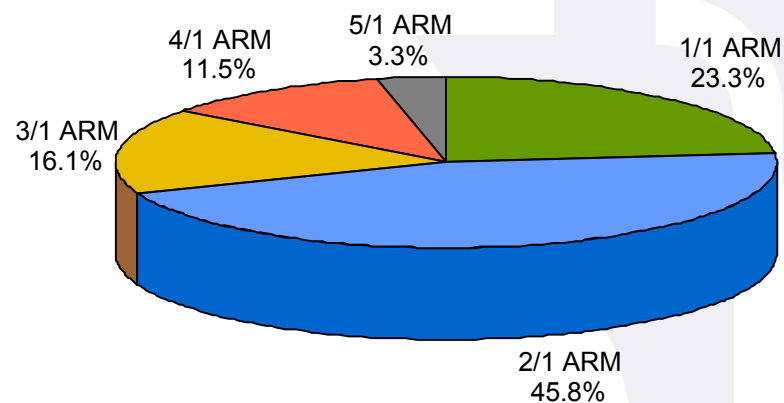
## Mortgage-Backed Securities as of September 30, 2004

(Dollars in millions)

Current Face	Book Value	Market Value	Average Coupon	Book Yield	Cost Premium	WTD Avg. CPR	Average Life	Effective Duration
\$10,747	\$10,940	\$10,863	3.90%	3.01%	101.79	30.77	1.7yrs	1.25yrs



MBS Portfolio By Agency



MBS Portfolio By Security



## Principal Investing Merchant Banking

- All investment decisions driven by fundamental valuation approach
- Proprietary deal flow through FBR & Co., Inc.
- Independent due diligence and investment committee process
- Deep industry knowledge allows for expedited execution and innovative structures enhance potential for premium returns
- Investment banking experience improves accuracy of our predicted liquidity outcomes
- Portfolio of 16 investments funded with FBR Group equity
- Allocation of 10%–30% of FBR's equity
- IRR of 28% from inception to September 30, 2004





# Principal Investing

## Access to Capital Drives Revenue

FBR Merchant Banking  
has invested in 23  
companies out of 124 lead  
managed and 188 total  
transactions completed by  
FBR since January of  
2001

	Period of Investment	Investment Amount	Total Banking Fees Earned
Fieldstone Mortgage Company	Nov-03	\$ 50,000,000	\$ 46,078,984
AmeriCredit Corp.	Sep-02	40,329,295	26,462,476
American Financial Realty Trust	Sep-02	40,000,001 <sup>1</sup>	43,883,007
New Century	Sep-04	35,050,015	14,225,154
Provident	Aug-04	25,000,004	26,919,910
Quanta Capital Holdings	Aug-03	25,000,000	35,090,698
KKR Financial Corp.	Aug-04	23,250,000	33,041,790
Southwest Royalties	Apr-02	18,333,333 <sup>2</sup>	1,714,662
Medical Properties Trust	Mar-04	15,000,000	17,270,432
Oxford Finance Corp.	Mar-02	14,650,000 <sup>3</sup>	2,889,359
MCG Capital	Nov-01	9,934,375	13,776,396
Saxon Capital, Inc.	Jul-01	9,300,000	15,058,315
Annaly	Jan-01	7,144,000	8,274,551
Accredited Home Lenders	Feb-03	6,789,586	4,163,044
Equity Inns	Jul-03	5,750,000	1,191,423
Franklin Bank Corporation	Oct-02	5,580,000	4,369,198
JER Investors Trust	Jun-04	5,264,033	11,124,647
CMET Finance Holdings	Dec-03	4,650,000	7,351,588
Anworth	Dec-01	3,890,650	11,568,421
Government Properties Trust	Oct-03	3,050,000 <sup>4</sup>	11,004,095
Specialty Underwriters' Alliance	Dec-03	2,000,000 <sup>5</sup>	8,445,500
Atlas Pipeline	Sep-03	- <sup>6</sup>	375,000
Quaker Coal	Nov-02	- <sup>7</sup>	113,789
		<u>\$ 349,965,292</u>	<u>\$ 344,392,439</u>

<sup>1</sup> Includes \$5 million note which has been repaid and \$35,000,001 equity investment.

<sup>2</sup> Represents a loan commitment of up to \$25,000,000, of which \$18,333,333 was funded and has been repaid.

<sup>3</sup> Includes \$10 million note which has been repaid and \$4,650,000 equity investment.

<sup>4</sup> Includes \$950,000 note which has been repaid and \$2,100,000 equity investment.

<sup>5</sup> Represents a loan of \$2,000,000.

<sup>6</sup> Represents a loan commitment of up to \$25,000,000. None of this commitment has been funded to date.

<sup>7</sup> Break-up fee.

# Principal Investing Opportunities

- Broadened investment in mortgages
  - Diversify risk (interest vs. credit)
  - Diversify products (jumbo, non-prime, etc.)
  - Diversify instruments (whole loans, ABS, CMOs)
  - Expand into value change (originate, aggregate, securitize, service, etc.)
- Take further advantage of deal flow by:
  - Acquiring majority stakes
    - Originators
    - Outsourcers (servicers, etc.)
    - Non Mortgage Companies
      - Energy
      - Real Estate
      - Healthcare
      - Other finance



# Conclusion

## Selected Comparables

Broker / Dealer	Fiscal Year End	LTM Period End	Equity Capital (\$000)	LTM Net Income (\$000)	LTM Net Income per Employee (\$000)	LTM Net Revenue (\$000)	LTM Net Rev. per Employee (\$000)	Compensation / Net Revenue	Total Assets / Tangible Equity	ROE	Price / Tangible Book <sup>1</sup>	Price / LTM Diluted EPS <sup>1</sup>
<b>A.G. Edwards</b>	2/28	8/31/2004	1,720,332	181,013	12	2,593,693	168	65.3%	2.33 x	10.7%	1.74 x	17.31 x
<b>Bear Stearns</b>	11/30	8/31/2004	8,067,519	1,280,454	120	6,515,503	608	49.1%	31.57 x	17.1%	1.31 x	10.30 x
<b>Goldman Sachs</b>	11/30	8/31/2004	23,514,000	4,330,000	213	20,375,000	1,001	46.5%	26.13 x	19.7%	2.70 x	12.30 x
<b>Jefferies Group</b>	12/31	9/30/2004	968,150	126,566	72	1,045,864	598	56.0%	16.35 x	15.0%	2.70 x	20.28 x
<b>Lehman Brothers</b>	11/30	8/31/2004	14,421,000	2,265,000	117	10,991,000	570	49.4%	31.67 x	18.3%	2.09 x	10.91 x
<b>Merrill Lynch</b>	12/31	9/30/2004	30,121,000	4,461,000	89	21,074,000	422	47.3%	24.11 x	15.9%	2.09 x	12.83 x
<b>Morgan Stanley</b>	11/30	8/31/2004	27,420,000	4,300,000	81	24,062,000	456	40.6%	29.53 x	16.8%	2.24 x	13.14 x
<b>Raymond James <sup>2</sup></b>	9/30	9/30/2004	1,065,000	127,575	25	1,781,259	349	71.5%	7.68 x	12.8%	2.14 x	16.91 x
<b>Stifel Financial</b>	12/31	9/30/2004	123,154	22,829	20	244,158	211	63.9%	3.20 x	21.1%	1.87 x	11.82 x
<b>SWS Group <sup>3</sup></b>	6/30	9/30/2004	252,490	20,458	22	262,716	283	53.3%	20.84 x	8.1%	1.43 x	16.93 x
<b>Average Broker / Dealer</b>					<b>77</b>		<b>467</b>	<b>54.3%</b>	<b>19.34 x</b>	<b>15.6%</b>	<b>2.03 x</b>	<b>14.27 x</b>
<b>Friedman Billings Ramsey</b>	<b>12/31</b>	<b>9/30/2004</b>	<b>1,543,361</b>	<b>342,925</b>	<b>515</b>	<b>863,745</b>	<b>1,297</b>	<b>37.0%</b>	<b>8.65 x</b>	<b>26.3%</b>	<b>2.16 x</b>	<b>8.94 x</b>

<sup>1</sup> Market data as of 11/23/04

<sup>2</sup> Press release dated October 20, 2004 does not provide balance sheet information other than book equity. All other balance sheet information is as of June 25, 2004.

<sup>3</sup> Most recent reporting did not include employee data. Head counts are from the most recent prior period.

Source: SNL, FactSet

# Conclusion

## Summary

- Top 10 investment banking firm
- \$3.1 billion market cap
- Strong, highly-liquid balance sheet: equity \$1.5 billion; assets \$12.3 billion
- One of the most efficient cost structures in the industry
- Record first nine months performance
  - Record total revenue (\$754 million) and earnings (\$263 million)
  - Net income profit margin of 40.9%
  - Latest Twelve Months ROE of 26.3%
- Leading investment banking platform
  - #1 lead managing underwriter for after-market performance <sup>1</sup>
  - #1 lead managing underwriter for companies valued \$1 billion and under <sup>2</sup>
  - #3 lead managing underwriter for 2003 IPOs <sup>3</sup>
  - Top ten underwriter — \$7.2 billion lead/sole managed this year <sup>2</sup>
- Stable, diversified and growing earnings stream supports dividend growth
- History of significant growth; Significant future growth opportunities



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## **APPENDIX**



**2004**  
November



# Merchant Banking Portfolio

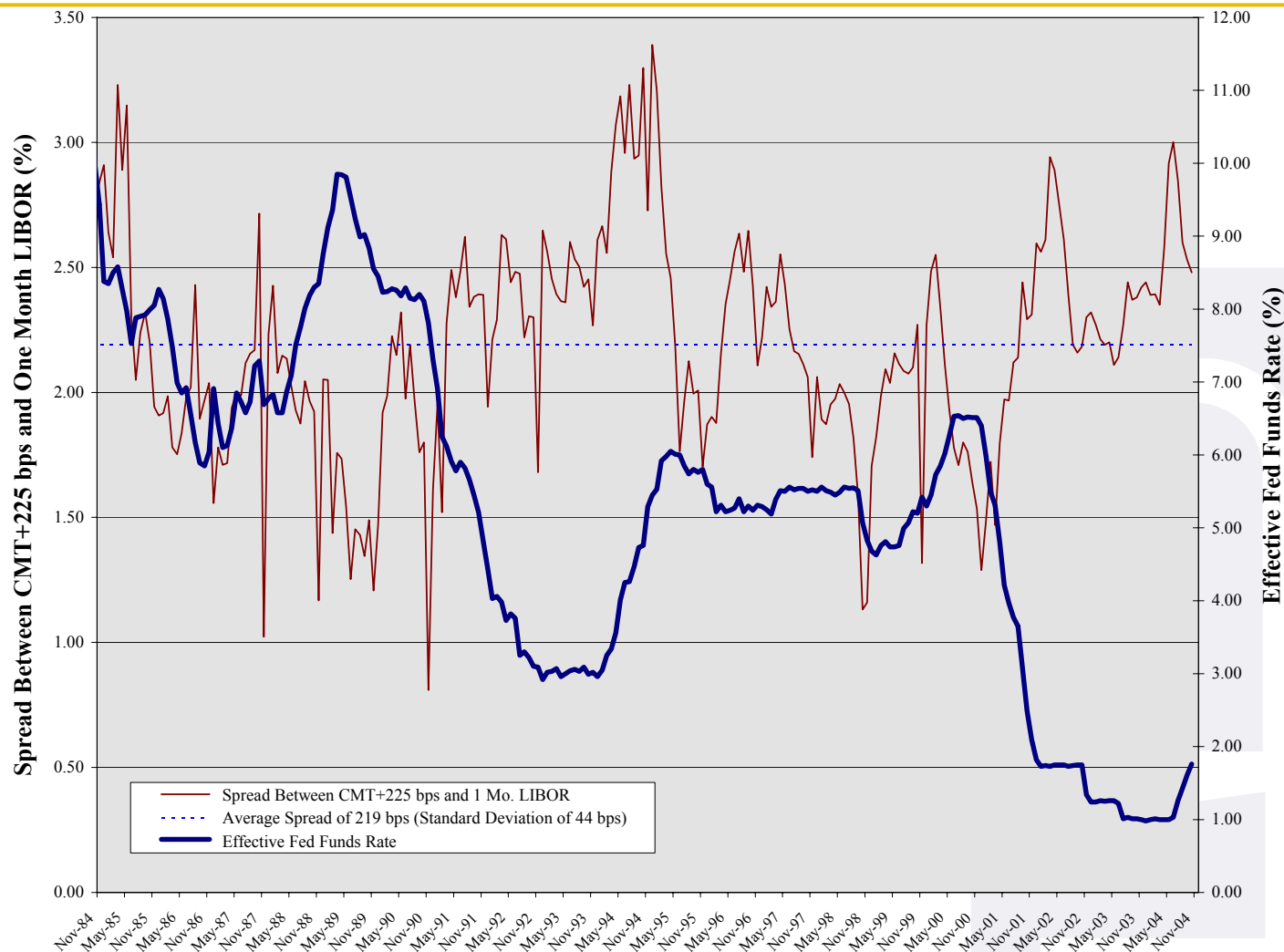
## as of September 30, 2004

Merchant Banking Investments	Shares	Book Basis (000s)	Carrying Value as of 9/30/04 (000s)
Accredited Home Lenders Holding Co. <sup>1</sup>	510,697	\$ 4,080	\$ 19,672
American Financial Realty Trust	525,000	7,639	7,408
CMET Finance Holdings <sup>1,2</sup>	50,000	4,650	4,650
Fieldstone Mortgage <sup>1,2</sup>	3,588,329	49,734	49,734
Franklin Bank Corp.	350,000	3,500	5,968
Government Properties Trust <sup>1</sup>	210,000	2,100	1,995
JER Investors Trust <sup>1,2</sup>	377,350	5,264	5,264
KKR <sup>1,2</sup>	2,500,000	23,250	23,250
Medical Properties Trust <sup>1,2</sup>	1,795,571	16,180	16,180
New Century Financial Corporation <sup>1,2</sup>	636,885	35,050	38,353
New York Mortgage Trust	200,000	1,760	1,870
Provident Senior Living Trust <sup>1,2</sup>	1,792,115	25,000	25,000
Quanta Capital Holdings	2,688,172	25,000	21,909
Saxon Capital, Inc.	1,840,000	33,342	39,560
Private debt investment	—	5,000	5,000
Other	—	3,744	2,921
<b>Total Merchant Banking Investments</b>		<b>\$ 245,293</b>	<b>\$ 268,734</b>
<b>Other Long-term Investments</b>			<b>73,208</b>
<b>Total Long-term Investments</b>			<b>\$ 341,942</b>

1. As of September 30, 2004, FBR was restricted from selling its shares based on the terms of its purchase.

2. As of September 30, 2004, these shares were not registered for public trading.

# Spread Between 1 Month LIBOR and 1 Year CMT Plus 225 Basis Points



Notes:  
CMT is the 1 Year Constant Maturity Treasury. For purposes of estimating spread, this chart assumes a margin of 225 bps.

Source: Bloomberg, Federal Reserve



FBR

F R I E D M A N B I L L I N G S R A M S E Y

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NOTE: Not all services are available from all offices.